

Gulf Investment House
Governance Report for the year ended
On December 31, 2017

First: Framework

During 2017, the Gulf Investment House continued applying its approach to enable Company Governance in its pursuit of enhancing the levels of Transparency and Integrity in Company Operations. Moreover, a comprehensive review was made to the Governance Guidelines practices in force (as required by Capital Markets Authority), and GIH got the approval of CMA on the Governance Form on 10 Jul.2017. To this end, this report has been prepared and an electronic copy thereof shall be available on the Company's Web Portal.

Second: Corporate Governance Rules Implementation Commitment

First Rule: Establishing balanced structure for the Board of Directors

The structure of the Board of Directors complies with the size and nature of the company's relevant activities, tasks and responsibilities. The Board of Directors started its current session – for three years – as per the resolution issued during the Ordinary General Assembly that was held on Sep. 19, 2016 after obtaining the approval of the Capital Markets Authority with regards to the candidates of the Board Members. The Board constitutes of five Non-Executive Directors, including one Independent Director having relevant qualifications and experiences in the company's field of activity. The new Directors are:

Name	Classification	Academic Qualification and Experience	Date of Election or Appointing
Khaled S.Al Ajlan	Chairman– Non Executive	Bachelor Degree in Commerce – Finance & Financing financial institutions. Currently he is working in Kuwait Finance House Bank- Senior Manager in Debt restructuring from Feb.2015. Previously he was working in Arzan Financial Group for Financing & Investment as Assistant Investment Manager.	19 Sep. 2016
Fahad A. Al Nafisi	Vice Chairman- Non-Executive	Bachelor Degree in Business Administration from American University of Sharjah. Currently he is working in Kuwait Finance House Bank – Senior Manager in Clients Relations from Mar. 2011. Previously he was	19 Sep. 2016

		working in NBK as Accounts Supervisor.	
Meshari J. Boodai	Board Member-Independent	Bachelor Degree in Accounting, Finance & Marketing. Currently he is working in Zain Group Co. from Sep. 2012. Previously he was working in City Bank as Financial Risk Analyst.	19 Sep. 2016
Abdullah K. Abu Hadidah	Board Member-Non-Executive	Bachelor Degree in Financing financial institutions. Currently he is working in Baitak Capital Co.. Previously he was working in Energy House Holding Co. as Asset Management Manager. -Business Development & Strategic Manager in Yusif Ahmad Alghanim Co. -Financial Analyst in Corporate Finance in Global Investment House. -Teller in NBK.	19 Sep. 2016
Tarek J. Al Wazzan	Board Member-Non-Executive	Bachelor Degree in Business Administration- Management & International Marketing. previously he was working in Development Projects Holding Co. ,and he was CEO of Energy House Holding Co.. & Regional Director in Kuwait Petroleum Corporation.	19 Sep. 2016
Yasser A. Joma'a	Board Secretary	Bachelor Degree in Commerce & Business Administration. Currently he is working as Vice President in Risk Management & Compliance from 1999. Previously he was working as Financial Manager in SADAFCO.	26 Sep. 2016

Board Members shall spend all the time needed to peruse their relevant tasks and responsibilities. To this end, the Board of Directors held several meetings by invitation issued by the Chairman and all the Members were present in all the meetings as below:

During 2017 the Board of Directors held nine meetings according to the below:

Serial No.	Number & Date of Meeting
1	Meeting No.(1-5-2017) held on 13.2.2017
2	Meeting No.(2-6-2017) held on 13.3.2017
3	Meeting No.(3-7-2017) held on 16.3.2017
4	Meeting No.(4-8-2017) held on 3.5.2017
5	Meeting No.(5-9-2017) held on 17.5.2017
6	Meeting No.(6-10-2017) held on 26.7.2017
7	Meeting No.(7-11-2017) held on 14.8.2017*
8	Meeting No.(8-12-2017) held on 24.9.2017**
9	Meeting No.(9-13-2017) held on 13.11.2017

*Board of Directors approved the resignation of Mr. Meshari J. Boodai from the Board Membership in meeting No. (7-11-2017) held on 14.8.2017.

** Board of Directors approved the resignation of Mr.Tarek J. Al Wazzan from the Board Membership in meeting No.(8-12-2017) held on 24.9.2017.

Members of the Board shall be provided with the agenda showing all topics and supported by all relevant documents and information and so, at least three days prior to the date of the meeting. Mr.Yasser A. Juma'a, one of the Executives, occupies the position of the Board Secretary by virtue of the resolution issued by the Board on September 26, 2016, in order to record, coordinate and maintain the Board Meetings Minutes, and ensure that all procedures endorsed by the Board are properly followed by the Members and all information are duly conveyed among the Members and Stakeholders under the Chairman supervision.

Second Rule: Defining Duties & Responsibilities

The Board of Directors approved some amendments with regards to the Organizational Structure so that the (updated) Organizational Structure will reflect the clear segregation of powers and authorities between the Board Members and the Executive Management as well as the amendments required as per the fifteenth book from the amended executive by-law.

The Board of Directors is committed to fulfill its duties and responsibilities as per the Corporate Governance Requirements. In this context, the Board implemented the following: approved the Business Plan for the coming years, reviewed & amended the Organizational Structure of the company, approved the Interim Financial and Annual Statements, supervised the capital expenditure, ownership and disposal of assets, ensured that the company is complying with the Policies and Procedures and established the competent committees there from. The Board has also ensured efficiency and adequacy of the Internal Regulatory Systems in force in the company related to the financial and accounting systems as well as the risk measurement and management systems. The Board is in process of

updating the Annual Governance Report, and the Board of Directors approved the updated Policies and Procedures Guides, the AGM invitation, and reviewed all the reports & results of regulators' inspections.

A new Mechanism is being developed by the company to enable the Board of Directors to gain information and data in a timely and accurate manner by developing IT Infrastructure relating to system generated reporting to ensure that all reports are generated at the highest level of quality and accuracy and submitted to the Board of Directors on a timely basis for decision making.

The Company's Chairman, Board and Executive Members are committed to fulfill their Duties and Responsibilities as per the Corporate Governance Requirements.

Third Rule: Selection of Qualified Personnel for Board members and Executive Management

The Board issued in its meeting no. (1-1/2016) held on September 26, 2016 the establishment of Independent Committees which are as follows:

First: Nomination & Remuneration Committee

The preliminary role of the Nomination Committee is to select competent persons for the Board of Directors and Executive Management as well as to provide its recommendation to the Board with regards to all suggested Nominations, and submit to the Board its recommendation about the nominated names for the positions with due registration.

It comprises of Three Members including one Independent Members, as follows:

- Mr. Khaled S. Alajlan – Head of Committee.
- Mr. Tareq J. Alwazan – Committee Member.
- Mr. Meshari J. Boodai – Committee Member (Independent Member).

*Board of Directors approved the resignation of Mr. Meshari J. Boodai from the Board Membership in meeting No. (7-11-2017) held on 14.8.2017.

** Board of Directors approved the resignation of Mr.Tarek J. Al Wazzan from the Board Membership in meeting No.(8-12-2017) held on 24.9.2017.

*** Reformed the Nomination & Remuneration Committee in BOD meeting No. 1-14/2018 held on 27.2.2018.

Achievements of Nomination & Remuneration Committee

The Nomination & Remuneration Committee held two meetings in 2017, and they did the below:

First: studied Nomination Applications for the relevant positions with due registration as a preliminary phase to submit it to the Board then to CMA for approval.

Second: discussed the remuneration of BOD's committees and recommended for the AGM what is mentioned in the below remuneration report:

Annual Remuneration Report of 2017

First: Board of Directors:

the members of the board did not get any financial or in kind remuneration. No one of the board members received any salaries or indemnities, or any amounts represent attendance allowance in the meetings of the committees emanating from the board of directors.

Second: Executive Management:

the members of the Executive Management did not get any financial or in kind remuneration during 2017.

Third: Board Secretary:

It has been decided by the Board of Directors to pay the amount of KD 1,500 as remuneration of 2017.

Fourth Rule: Integrity of Financial Reporting

Second: Audit Committee

The Preliminary Role of the Audit Committee is to supervise all audit issues and ensure Authenticity and Integrity of Financial Reports and Internal Control Systems.

The Audit Committee is a fully Independent Committee that comprises Three Members including one Independent Member. There are no conflicts between the recommendations of the Audit Committee and the resolutions of the Board.

Achievements of Audit Committee

The Audit Committee shall perform the following:

- Review all Periodic & Annual Financial Statements prior to submitting the same to the Board.
- Provide its recommendations to the Board with regards to appointing External Auditors for the fiscal year ended on 31.12.2017.
- Study the notes made by auditors on the financial.
- Approved to renew the Internal Audit contract.

- Review and decide on the Internal Audit Plans.
- Review the results of internal audit reports and ensure all necessary reform procedures are taken by executive management.
- Reviewed the work plan of internal sharia'a audit.
- Reviewed all reports of internal Sharia'a Audit.
- Recommended the BOD to reassign the external sharia'a auditor.
- Review the report of external sharia'a auditor.
- The committee reviewed the offers of preparing the Anti-Money Laundering report, and declared to choose audit firm to prepare the mentioned report.
- The committee reviewed the offers of preparing the report of internal control system review, and declared to choose audit firm to prepare the mentioned report.
- Reviewed the results of inspection made by the Regulators to the company.
- Review work policy & procedures agenda.

Members of the Audit Committee are:

- Mr. Abdullah K. Abu Hadidah – Head of Committee.
- Mr. Fahad A. Alnafisi – Committee Member.
- Mr. Meshari J. Boodai – Board Member (Independent Member).

*Board of Directors approved the resignation of Mr. Meshari J. Boodai from the Board Membership in meeting No. (7-11-2017) held on 14.8.2017.

The committee held five meetings in 2017; four of which held with the Internal Auditor, and it also held two meetings with the External Auditors.

Company's Auditors

The General Assembly held on May 30, 2017 approved the reappointment of Al-Aiban, Al-Osaimi & Partners (Ernst & Young) and Baker Tilly Kuwait as External Auditors for the year 2017. The External Auditors are registered with Capital Markets Authority and Independent of the Company's Business and Board of Directors. The External Auditors are invited to the General Meetings to recite their audit report to the Shareholders. They may also discuss their opinions and views with the Audit Committee before presenting the Annual Financial Statements to the Board of Directors for deciding thereon.

The Chief Executive Officer and Financial Controller acknowledge, in writing, to the Company's Board of Directors, that the Periodic Financial Reports are duly and fairly presented, include all the financial aspects of the Company and have been prepared in accordance with the International Financial Reporting Standards (IFRS). In addition, the Company's Board of Directors submits an undertaking for integrity and accuracy of the financial accounts provided to the Auditors with the Annual Board of Directors' Report to the Shareholders for the year 2017.

Fifth Rule: Setting Sound Risk Management & Internal Control Systems

Third: Risk Management Committee

The Preliminary Role of the Risk Management Committee is to supervise all Risk Management related matters and to contribute in setting all policies and by-laws related to Risk Management in conformity with the company's approach of Risk Management.

It comprises of 3 Non- Executive Members, as follows:

- Mr. Fahad A. Alnafisi – Head of Committee.
- Mr. Abdullah K. Abu Hadidah- Committee Member.
- Mr. Tariq J. Alwazan – Committee Member.

* Board of Directors approved the resignation of Mr.Tarek J. Al Wazzan from the Board Membership in meeting No.(8-12-2017) held on 24.9.2017.

The Committee held Four Meetings in 2017.

The company established an Independent Risk Management Department reporting directly to the Chairman according to the Organizational Structure, staffed with Qualified and Experienced Officers to measure and follow up all the risks the company faces.

Achievements of Risk Management Committee

- The committee reviewed all quarterly reports of risk management committee, and decided to discuss it with the Board of Directors.
- Check the independency of risk management employees from the activities that might make the company face risks.
- Check that the employees of the risk management have the good understanding for the risks which surround the company.

Review and Internal Control Systems

The company established a fully Technical Independent Internal Audit Committee reporting directly to the Audit Committee. Moreover, a Manager was appointed by the Board directly and according to the recommendation of the Audit Committee, the Audit Unit generates review reports and evaluates the Internal Control Systems enforced in the company.

The Company Strives to apply the Principles of Dual Internal Control Review Represented in the following:

- Segregation of Duties.
- Inspection and Dual Control.

- Dual Signatures.
- Sound definition of Powers and Responsibilities.

In order to ensure Financial Soundness, Accuracy and Efficiency of the Company's Operations, in all Aspects.

The company appointed another (Independent) Consulting Firm to prepare an Internal Control Report for the Fiscal Year ended on 31 Dec. 2017, as per the guidelines issued by the Capital Markets Authority in this regard. The CMA has been provided with the report on 29.3.2018.

Sixth Rule: Promoting Good Conduct & Ethics

The Board of Directors defines the criteria and norms that formulate the good conduct and ethics in the company in line with the requirements of the Official Authorities. The Executive Management strives to realize the Company's objectives in the light of such norms and requirements and include the same in the charter.

Besides, the Company reviewed and updated its Conflict of Interest Policy and the Mechanism for handling and resolving the related issues in line with the Requirements of the Official Authorities.

Seventh Rule: Accurate and Timely Disclosure & Transparency

The Board of Directors established disclosure and Transparency Systems and Policies that involved Methods and Mechanisms for disclosure of the Financial and Non-Financial information and data in a timely manner to Third Parties and Stakeholders without any preference, in addition to information and data to be disclosed by Members of the Board of Directors and Executive Management and provided to the Compliance Department to prepare the register required by CMA.

The Company complies with CMA Instructions promulgated on November 2015 with respect to disclosure of the material information.

In 2017, GIH disclosed material data and information on a regular and timely basis to all Shareholders and Investors via appropriate disclosure channels, for instance: the Year-End and Interim Financial Reports, Names of the Board of Directors, Executive Management and Shari'a Supervisory Board, name of the External Auditor, etc... And the company has provided all information to be disclosed - as per the Rules of Governance- on its Website.

The Company has an Independent Unit responsible for organizing the Investors matters, providing all data, information and reports necessary for the investors & Shareholders through the generally recognized disclosure channels.

The company maintains a record of all disclosures made by the Board Members and Executive Management and is available to all Shareholders for perusal purposes.

A Corporate Governance Section was developed on the Company's Portal to help the Shareholders and Investors evaluate the Company's performance.

Eighth Rule: Preservation of Shareholders' Equity

The Ministry of Commerce & Industry issued the Commercial Companies Law (revised) and its Executive Regulations in 2016. In addition, the Capital Markets Authority issued Rules of Corporate Governance. Accordingly, GIH updated its internal by-laws, procedures and controls to ensure that the Shareholders exercise their rights fairly in compliance with the by-laws, Resolutions and Instructions in force and issued in this regard.

GIH Shareholders are entitled to the following rights:

- Register the value of the contributed property in the company's records.
- Dispose of the shares from registration and/ or transfer thereof.
- Receive the share allocated from the dividends.
- Receive a share from the company's assets in case of liquidation.
- Receive all data and information related to the company's activity as well as its operational and investment strategy periodically and smoothly.
- Participate in the shareholders General Assembly Meetings and vote on their Resolutions.
- Elect Board Members.
- Monitor the company's performance in general and actions of the board in particular.

GIH is listed in Boursa Kuwait and, therefore, Kuwait Clearing Company maintains the shareholders records, while GIH has the right to access and request any information relating to Shareholders.

The Company encourages its Shareholder to actively and effectively participate in the General Assembly Meetings and discuss the agenda items. The Shareholders have the right to vote, on the General Assembly Resolutions. Moreover, all information relating to the voting rights of the Shareholders and potential Investors shall be provided permanently and continuously.

In 2017, the Company invited its Shareholders for two Ordinary General Assembly Meetings through an Advertisement published twice in the daily Newspapers specifying the agenda items as well as the place and time of the meetings, and on the websites of Boursa Kuwait and GIH.

Ninth Rule: Recognition of Stakeholders' Role

GIH has prepared and updated Systems and Policies that ensure preservation of the Stakeholders' rights and include the related rules and instructions such as Labor Law, Commercial Companies Law and its Executive Regulations, Capital Markets Authority Instructions, etc... Moreover, due attention is paid to the contracts executed between the parties and any additional covenants signed by the Company towards the Stakeholders.

Stakeholders:

The company publishes some brochures in the website aiming to stay in contact with the stakeholders, and update them with the decisions of GIH. These brochures are: Quarterly & Annual Financial Statements, Disclosures, Governance Report, Investors Report, Article and Memorandum of Association, Board of Directors and strategy of the company. Investment Placement Dep. and Corporate communication Dep. respond on any inquiries of the shareholders and providing them with the information and requested reports.

Tenth Rule: Performance Enhancement

To reinforce and enhance the performance, GIH did the following:

1. Set Systems and Mechanisms to evaluate the performance of the Board and Executive Management and contribution by each member on a regular (annual) basis, based on the objective key performance indicators.
2. Develop Integrated Internal Reporting System to assist the Board of Directors and Executive Management in taking sound and thorough decisions and, eventually, realizing the Shareholders' Interests.

Training Mechanisms for the Members of Board of Directors:

Board of Directors approved the Training mechanisms for the Board Members.

Eleventh Rule: Social Responsibility

GIH applied a policy to ensure that its objectives are in harmony with the ones that the society is seeking to realize. The said policy aims to assist in developing the living, social and economic circumstances in the society. GIH also formulated programs and mechanisms to highlight the Company's social work.

